

## Appendix D

### Estimated Revenue Assumptions & Calculations

#### Basic Assumptions:

- 65,000 licensed providers in Arkansas
- 100 hospitals in Arkansas
- 2,855,390 Arkansas estimated population (2008), 1.2million households
- 2,141,543 insured Arkansans (75% of population, including Medicare and Medicaid)
- 131,000 Arkansans insured under Employee Benefits Division (EBD)
- 450,000 Arkansans insured under Arkansas Blue Cross/Blue Shield (AR BC/BS)
- 714,000 Arkansans insured under Medicaid (approximately 25% of population; does not include an additional 251,000 Arkansans who are estimated to become newly-eligible for Medicaid under health care reform)
- 250,000 Arkansans insured under other insurers (low estimate based on overall insured Arkansans)

#### Subscriptions: \$5,174,310/year in estimated revenue

- ARKANSAS:
  - Administrative exchange (\$1,080,690/year):
    - 25% of Arkansas providers (16,250/65,000) pay an average of \$50/year = \$812,500/year
    - 40% of hospitals (40/100) pay an average of \$2,000/year = \$80,000/year
    - Payers pay \$0.17 each for two non-Medicare claims per year for 30% of 1,845,000 insured =  $.17 \times 2 \times .30 \times 1,845,000 = \$188,190/\text{year}$
  - Clinical exchange (\$4,093,620/year):
    - 25% of Arkansas providers (16,250/65,000) pay an average of \$200/year = \$3,250,000
    - 40% of hospitals (40/100) pay an average of \$5,000/year = \$200,000/year
    - Payers pay \$.085 PMPM up to 250,000 member cap
      - EBD =  $131,000 \times \$0.085 \times 12 = \$133,620/\text{year}$
      - AR BC/BS =  $250,000 \times \$0.085 \times 12 = \$255,000/\text{year}$
      - Medicaid =  $250,000 \times \$0.085 \times 12 = \$255,000/\text{year}$
- UTAH: review of data from subscription services and rate structure at [www.uhin.org](http://www.uhin.org)
  - Administrative exchange:
    - Providers pay from \$240-\$39,600/year
    - Hospitals pay from \$770-\$36000/year
    - Payers pay \$0.17 per non-Medicare claim and/or encounter , \$0.028 per advice plus \$0.02 per Medicaid transaction
  - Clinical exchange:
    - Providers pay \$600-\$60,000/year

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- Hospitals pay straight per cent of market share
  - Payers have two options: \$0.085 PMPM (with 250,000 member cap) or click fee option of \$0.21 per 837 with same maximum amount as PMPM
- MARYLAND: review of proposed subscription rates from Draft Strategic Plan
  - Maximum fee for all subscription services: \$43/month per doctor
  - Maximum fee for all subscription services: \$6,000/month per facility
- NOTES: Fee structure includes conservative estimates of participation with less expensive and more conservative fee structure than existing subscriptions and comparable proposed fee structures. Does not include remittance advice fees from payers.

**Claims Fees: \$1,830,000/year in estimated revenue with 0.1% fee or \$3,641,700/year in estimated revenue with 0.199% fee**

- Assumptions:
  - EBD estimates they have \$430 million in annual claims (\$3,250/member)
  - Using EBD estimates, estimate non-EBD claims per member conservatively at \$2,000/member annually
- ARKANSAS:
  - EBD: approximately \$430 million in annual claims (\$3,250/member)
    - $\$430,000,000 \times .001 = \$430,000/\text{year}$
    - $\$430,000,000 \times .00199 = \$855,700/\text{year}$
  - AR BC/BS: approximately \$900 million in annual claims (\$2,000/member)
    - $\$900,000,000 \times .001 = \$900,000/\text{year}$
    - $\$900,000,000 \times .00199 = \$1,791,000/\text{year}$
  - Non-Medicaid insured: 250,000 lives, approximately \$500,000,000/annual claims
    - $\$500,000,000 \times .001 = \$500,000/\text{year}$
    - $\$500,000,000 \times .00199 = \$995,000/\text{year}$
- VERMONT & NEW JERSEY: 0.0199% fee on non-Medicaid claims paid in the state
- NOTES: Claims fee estimate is based on lower fee than other states have passed and based on very conservative estimates of total amount of claims paid.

**Per Member Per Month Fees (PMPM): \$1,554,000/year in estimated revenue with \$.10 PMPM fee or \$3,108,000/year in estimated revenue with \$.20 PMPM fee**

- Assumptions:
  - \$.10 Per Member Per Month fee
  - \$.20 Per Member Per Month fee
- ARKANSAS:
  - EBD = 131,000 members

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- 10 cents/member =  $131,000 \times \$0.10/\text{member} = \$13,100/\text{month} \times 12 \text{ months} = \$157,200/\text{year}$
- 20 cents/member =  $131,000 \times \$0.20/\text{member} = \$26,200/\text{month} \times 12 \text{ months} = \$314,400/\text{year}$
- AR BC/BS = 450,000 members
  - 10 cents/member =  $450,000 \times \$0.10/\text{member} = \$45,000/\text{month} \times 12 \text{ months} = \$540,000/\text{year}$
  - 20 cents/member =  $450,000 \times \$0.20/\text{member} = \$90,000/\text{month} \times 12 \text{ months} = \$1,080,000/\text{year}$
- Medicaid = 714,000 members
  - 10 cents/member =  $714,000 \times \$0.10/\text{member} = \$71,400/\text{month} \times 12 \text{ months} = \$856,800/\text{year}$
  - 20 cents/member =  $714,000 \times \$0.20/\text{member} = \$142,800/\text{month} \times 12 \text{ months} = \$1,713,600/\text{year}$
- NOTES: Conservative estimate that does not include all payers or members.

#### **Public Utility Fee: \$3,360,000/year in estimated revenue**

- Assumptions:
  - Arkansas telephone access lines: 2008 = 1,119,688; 2007 = 1,265,665 (based on 2007 and 2008 Arkansas Public Service Commission Annual Reports, [www.arkansas.gov/psc](http://www.arkansas.gov/psc))
  - Arkansas internet access lines: of 1.2 million households, approximately 40% maintain internet access (very conservative estimate based on Connect Arkansas' 20008 "Preliminary Broadband Survey" data that 49% of Arkansas households are connected to the internet, [www.connect-arkansas.org](http://www.connect-arkansas.org))
- ARKANSAS:
  - 1,200,000 telephone lines x \$2/year per line = \$2,400,000/year
  - 480,000 internet access lines x \$2/year per line = \$960,000/year
- NOTES: The number of telephone lines is likely to continue to decrease steadily over time, while the number of internet lines is likely to increase.